



NEW MANUFACTURING ESTABLISHMENT TAX EXEMPTION

Description of Program

In order to induce companies to locate or expand in Louisville Metro, a significant tax incentive program is offered by Louisville Metro. The program enables Louisville Metro to grant a five year ad valorem tax exemption ("Tax Exemption") to a new manufacturing establishment if the company locates a new facility or expands an existing facility within Louisville Metro pursuant to the provisions of Louisville Metro Codified Ordinances, Section 38.20 et.seq. ("Ordinance").

The Tax Exemption is available to companies in three situations: (1) when a new company locates a new facility in Louisville Metro, (2) when a company already in Louisville Metro expands its existing Facility or constructs a new facility or (3) when a company already located in Louisville Metro adds a new product line to produce a new product at its existing facility.

In order to qualify for the Tax Exemption, a company must be engaged in "manufacturing", which is defined by the Ordinance as: "the making of an article either by hand or machinery or both, into a new form or product capable of being used in ordinary life or for ordinary use. Mere packaging or storing of a product shall not constitute manufacturing nor shall the salvaging, repairing or reconditioning of previously manufactured articles."

Taxes Exempted

Once granted, the Tax Exemption exempts the company from paying ad valorem taxes on the real and personal property used by the new manufacturing facility for a period of up to five years beginning in the tax year following the year in which the application is approved. With respect to a new manufacturing facility locating in Louisville the exemption applies to all property, real and personal used for manufacturing. If an existing company expands an existing facility, builds a new facility or begins manufacturing a new product at an existing facility, the Tax Exemption applies only to the value of new real estate acquired or new improvements constructed or new furniture, fixtures and equipment purchased to manufacture the new product. The existing facility remains subject to taxation. The Tax Exemption also only applies to the portions of the new facility that are used for manufacturing and related activities. For example, if a company builds a new facility of 100,000 square feet and 75,000 square feet is used for

manufacturing, but 25,000 square feet is used for a retail store, only 75% of the assessed value of the facility will be subject to the Tax Exemption.

The Tax Exemption applies only to ad valorem taxes levied by Louisville Metro, not to ad valorem taxes levied by the Commonwealth of Kentucky, the school district, fire protection districts or other special taxing districts. Note also, that pursuant to KRS 132.200 equipment used in the manufacturing process is not taxed by Louisville Metro and therefore is not subject to the Tax Exemption.

How to Apply for Exemption

A company must submit to the Louisville Metro Department of Economic Development (“EDD”) a fully completed copy of the application attached hereto (“Application”). The Application must be verified by the owner, president or chief officer of the company. Since the Tax Exemption is an inducement for the company to locate to Louisville Metro, the Application must be submitted to EDD no later than January 1 of the year following the year the company commences construction on the new or expanded facility. In addition to submitting the Application, a company must also submit to the Louisville Metro Finance Department and the Jefferson County Property Valuation Administrator (“PVA”) a listing of all personal property subject to ad valorem taxation owned, employed or used by the company, if any, together with a declaration of the fair market value of such property.

Each year after the Tax Exemption is approved, the company shall submit to the PVA the Tangible Personal Property Tax Return and shall list all personal property owned by the company even if exempt from taxation pursuant to the Tax Exemption. A cover letter shall be submitted with the Tax Return notifying the PVA which items of personal property are exempt.

Amount of Tax Exemption

The amount of the Tax Exemption will be determined differently depending upon whether the Tax Exemption is being sought for a new location for a company or if it is being sought for an expansion at a company’s existing location.

If the Tax Exemption is for a new location, the Tax Exemption shall be equal to the assessed taxable value of the real and personal property owned by the company at the new location. For example, if a company buys a new building for \$500,000, constructs new improvements of \$100,000, and purchases furniture and taxable equipment worth \$50,000, it owns taxable property worth \$650,000. The entire value will be exempt from Louisville Ad Valorem Metro taxes for up to five years.

If the Tax Exemption is for an expansion of an existing facility owned by a company the Tax Exemption will only be for the new improvements. The existing facilities shall remain taxable. The Tax Exemption will be determined as follows: Prior to undertaking the expansion project, the PVA will assess the company’s existing taxable real and personal property. After the expansion is complete, the PVA will reassess the company’s property with the new improvements. The Tax Exemption will be equal to the difference between the assessed taxable

value of the company's real and personal property prior to the expansion and after the expansion. For example, a company currently operates a facility with a taxable value of \$500,000. Upon completion of the expansion project, the PVA determines that the total assessed taxable value is \$1,000,000. The Tax Exemption will equal the \$500,000 difference between the before and after assessed taxable value of the property.

How Exemption is Received

Louisville Metro tax bills go out to property owners in October of each year and are due and payable December 1. Taxes are levied upon the assessed value of property as determined by the PVA as of the preceding January 1. A company which is approved for a Tax Exemption will begin receiving the Tax Exemption for Louisville Metro taxes in the year following the date it locates a new facility in Louisville Metro or the date it completes an expansion project. For example, a company purchases a new building in May of 2011. It will be eligible for the exemption for taxes beginning in 2012. The tax bill received by a company will note that a certain portion of its Louisville Metro taxes are exonerated.

Further information

For more information about the program, you may contact the following:

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